



**Auditor of State  
Betty Montgomery**



MONROE TOWNSHIP  
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	17

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township  
Clermont County  
2828 State Route 222  
Bethel, Ohio 45106

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on the entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2005, on our consideration of the of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of management, Township Trustees and other officials authorized to receive this report under section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 11, 2005

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$74,417	\$442,844	\$0	\$517,261
Intergovernmental	128,995	183,953	0	312,948
Licenses, Permits, and Fees	0	8,085	0	8,085
Fines, Forfeitures, and Penalties	0	2,094	0	2,094
Earnings on Investments	9,847	5,403	16	15,266
Other Revenue	23,652	17,791	0	41,443
	<u>236,911</u>	<u>660,170</u>	<u>16</u>	<u>897,097</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
General Government	206,121	455,052	0	661,173
Public Safety	0	1,821	0	1,821
Public Works	78,819	240,063	0	318,882
Health	13,290	5,000	0	18,290
Conservation - Recreation	16,823	0	0	16,823
Debt Service:				
Redemption of Principal	0	27,692	0	27,692
	<u>315,053</u>	<u>729,628</u>	<u>0</u>	<u>1,044,681</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(78,142)</u>	<u>(69,458)</u>	<u>16</u>	<u>(147,584)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	52,411		52,411
Advances-In	0	50,000		50,000
Transfers-Out	(52,411)	0	0	(52,411)
Advances-Out	(50,000)	0		(50,000)
Proceeds from Lease	78,819			78,819
	<u>(23,592)</u>	<u>102,411</u>	<u>0</u>	<u>78,819</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(101,734)	32,953	16	(68,765)
Fund Cash Balances, January 1	<u>341,830</u>	<u>1,518,768</u>	<u>1,358</u>	<u>1,861,956</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$240,096</u></b>	<b><u>\$1,551,721</u></b>	<b><u>\$1,374</u></b>	<b><u>\$1,793,191</u></b>
Reserve for Encumbrances, December 31	<u>\$6,580</u>	<u>\$13,833</u>	<u>\$0</u>	<u>\$20,413</u>

*The notes to the financial statements are an integral part of this statement.*

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$65,321	\$410,782	\$0	\$476,103
Intergovernmental	118,605	198,496	0	317,101
Licenses, Permits, and Fees		7,176	0	7,176
Fines, Forfeitures, and Penalties		2,109	0	2,109
Earnings on Investments	16,435	6,269	24	22,728
Other Revenue	29,599	12,576	0	42,175
	<u>229,960</u>	<u>637,408</u>	<u>24</u>	<u>867,392</u>
<b>Total Cash Receipts</b>				
	<u>229,960</u>	<u>637,408</u>	<u>24</u>	<u>867,392</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	187,424	320,571		507,995
Public Safety		34,819		34,819
Public Works		211,011		211,011
Health	19,994	12,874		32,868
Conservation - Recreation	18,269			18,269
	<u>225,687</u>	<u>579,275</u>	<u>0</u>	<u>804,962</u>
<b>Total Cash Disbursements</b>				
	<u>225,687</u>	<u>579,275</u>	<u>0</u>	<u>804,962</u>
<b>Total Receipts Over Disbursements</b>	<u>4,273</u>	<u>58,133</u>	<u>24</u>	<u>62,430</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	99,970		99,970
Transfers-Out	(99,970)	0	0	(99,970)
Other Sources	0	122		122
	<u>(99,970)</u>	<u>100,092</u>	<u>0</u>	<u>122</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(99,970)</u>	<u>100,092</u>	<u>0</u>	<u>122</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(95,697)	158,225	24	62,552
Fund Cash Balances, January 1	437,527	1,360,543	1,334	1,799,404
<b>Fund Cash Balances, December 31</b>	<u><b>\$341,830</b></u>	<u><b>\$1,518,768</b></u>	<u><b>\$1,358</b></u>	<u><b>\$1,861,956</b></u>
Reserve for Encumbrances, December 31	<u>\$5,759</u>	<u>\$4,519</u>	<u>\$0</u>	<u>\$10,278</u>

*The notes to the financial statements are an integral part of this statement.*



**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Clermont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clermont County Sheriff for police protection.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. The investment in STAR Ohio is recorded at share values the mutual fund reports.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fire Fund - This fund receives tax levy monies to contract for fire protection services rendered to Township residents.

Life Squad Fund - This fund receives tax levy monies to contract for emergency medical services for Township residents.

**3. Fiduciary Funds (Expendable Trust Funds)**

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Wichard Trust Fund  
Phillips Trust Fund

The two funds above received bequest funds for the maintenance of the cemetery plots.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$1,211,140	\$1,286,307
Certificates of deposit	1,375	1,359
Total deposits	1,212,515	1,287,666
STAR Ohio	580,676	574,290
Total investments	580,676	574,290
Total deposits and investments	\$1,793,191	\$1,861,956

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,710	\$315,730	\$90,020
Special Revenue	718,878	712,581	(6,297)
Fiduciary	0	16	16
Total	\$944,588	\$1,028,327	\$83,739

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$346,759	\$374,044	(\$27,285)
Special Revenue	780,769	743,461	37,308
Total	<u>\$1,127,528</u>	<u>\$1,117,505</u>	<u>\$10,023</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,710	\$229,960	\$4,250
Special Revenue	704,388	737,500	33,112
Total	<u>\$930,098</u>	<u>\$967,460</u>	<u>\$37,362</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$441,894	\$331,416	\$110,478
Special Revenue	772,398	583,794	188,604
Total	<u>\$1,214,292</u>	<u>\$915,210</u>	<u>\$299,082</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$27,285, Motor Vehicle License Tax fund by \$10,453, and the Fire fund by \$98,330 for the year ended December 31, 2003. Also, budgetary expenditures exceeded appropriation authority in the Gasoline Tax fund by \$9,841, the Cemetery fund by \$7,487, and the FEMA fund by \$26,238 for the year ended December 31, 2002.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Lease purchase		
2004 International Truck	\$51,127	5.50%

The Township entered into a three year lease/purchase agreement for a new truck for Township road maintenance. The Township's taxing authority collateralized the lease agreement.

Amortization of the above debt, including interest, follows:

Year ending December 31:	International Truck Lease
2004	\$27,692
2005	27,692
Total	\$55,384

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Monroe Township  
Clermont County  
2828 State Route 222  
Bethel, Ohio 45106

To the Township Trustees:

We have audited the financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 11, 2005, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated October 11, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. In a separate letter to the Township's management dated October 11, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Township Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 11, 2005



MONROE TOWNSHIP  
CLERMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2003-001  
 (Continued)**

Of the expenditures we selected for testing, one hundred percent of the purchase commitments were not certified by the Clerk. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Township obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year end balances. Because commitments were not properly certified and recorded to the accounting records, incorrect amounts were certified to the County Auditor for January 1, 2003 and 2002. We performed a review of the commitments existing at each year end and have included these outstanding commitments as reserve for encumbrances on the financial statements.

**FINDING NUMBER 2003-002**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

At December 31, 2003 the following funds had expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures	Variance
General	\$346,759	\$374,044	(\$27,285)
Motor Vehicle License Tax	12,250	22,991	(10,453)
Fire Fund	125,000	224,420	(98,330)

At December 31, 2002 the following funds had expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures	Variance
Gasoline Tax	\$55,347	\$65,188	(\$9,841)
Cemetery	0	7,487	(7,487)
Zoning	102	670	(568)
FEMA	0	26,238	(26,238)

Expending money when it has not been appropriated could cause the Township to make illegal expenditures. The Township should adopt procedures to ensure that no expenditures are made unless they have been properly appropriated.

**FINDING NUMBER 2003-003**

**Reportable Condition**

There were several instances where receipts were not properly classified:

- Deregulation monies were posted to taxes instead of intergovernmental.
- Manufactured home real estate monies were posted to intergovernmental instead of taxes.
- Real estate taxes for the fire fund in 2002 were posted to ambulance/life fund.
- Personal property exemption was posted to taxes instead of intergovernmental.
- Interest was posted to taxes and intergovernmental instead of interest.
- Manufactured homestead was posted to taxes instead of intergovernmental.
- Public housing was posted to taxes and other instead of intergovernmental.
- Manufactured home rollback/homestead and personal property exemption were posted to general fund and not allocated properly to the other funds.
- FEMA monies were posted to other instead of intergovernmental and were not posted to a separate fund.

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. Reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend attention to detail be exercised when posting receipts to ensure that they are properly posted to the ledgers and properly reflected on the annual report. Corrections have been made to the financial statements included in this report to properly reflect these receipts.

**This page intentionally left blank.**

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2001-40413-001	ORC 5705.04 failure to maintain accurate financial records	Yes	
2001-40413-002	ORC 5705.41(D), failure to properly certify availability of funds	No	Not corrected. Reissued as finding 2003-001
2001-40413-003	ORC 5705.41(B), expenditures exceeding appropriations	No	Not corrected Reissued as finding 2003-002.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MONROE TOWNSHIP**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 10, 2005**